

## Message Text

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PAGE 01 STOCKH 02274 021549Z

45

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

IGA-02 ABF-01 PA-03 PRS-01 USIA-12 IO-13 RSR-01 /167 W

----- 106566

R 021437Z JUL 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 338

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TKYO

UNCLAS STOCKHOLM 2274

E.O.11652: N/A

TAGS: AFIN SW

SUBJECT: FOREIGN EXCHANGE DEVELOPMENTS

PASS TREASURY AND FEDERAL RESERVE

1. SWEDISH FOREIGN EXCHANGE MARKET WAS OPEN FOR TRADING ONLY  
ONE HOUR JUNE 29 AND IS OPERATING NORMAL HOURS JULY 2. TELE-  
GRAPHIC KRONA-DOLLAR BUYING AND SELLING RATES WERE FIXED JUNE 29  
AT 4.07 AND 4.11 RESPECTIVELY. RATES ON JULY 2 WERE 4.03 AND  
4.06. THUS, SPREAD BETWEEN BUYING AND SELLING RATES (NORMALLY  
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PAGE 02 STOCKH 02274 021549Z

ONE ORE) WAS ABNORMALLY LARGE ON BOTH DAY, INDICATING NEVOUS-

NESS OF MARKET FOLLOWING REVALUATION OF DM. VOLUME IS MODERATE WHILE SMALL TRADERS WAIT FOR "BIG OPERATORS" TO DECIDE WHETHER DOLLAR WILL CONTINUE TO FALL OR WHETHER IT HAS REACHED BOTTOM.

2. RIKSBANK GOVERNOR ASBRINK COMMENTED: "THE WEST GERMAN REVALUTION DOES NOT OCCASION ANY SPECIAL SWEDISH MOVE. ALL WE WILL DO IS ADJUST THE EXCHANGE RATE OF THE MARK. I WAS SURPRISED AT THE SUDDENNESS OF THE MOVE, BUT THERE HAS BEEN SOME SPECULATING AROUND A REVALUATION OF THE MARK. WE KNOW NOTHING AS YET ABOUT HOW THE MOVE MAY AFFECT LONG-TERM MONETARY COLLABORATION." GOTABANKEN OFFICIAL QUOTED BY PRESS AS SAYING THAT MOVE MIGHT BRING TEMPORARY CALM TO MONETARY MARKET BUT THAT NO REAL IMPROVEMENT COULD COME TO SITUATION "AS LONG AS AMERICANS DO NOTHING THEMSELVES."

3. MARK REVALUATION AGAINST EC SNAKE, WHICH INCLUDES SWEDEN SHOULD THEORETICALLY IMPROVE COMPETITIVENESS OF SWEDISH AGAINST WEST GERMAN GOODS. ALTHOUGH WEST GERMAN GOODS HAVE INCREASED IN PRICE BY ALMOST ONE-THIRD FOLLOWING REVALUATION OF PAST COUPLE OF YEARS, WEST GERMANY STILL INCREASED ITS SHARE OF SWEDISH MARKET, WHILE SWEDEN'S SHARE OF WEST GERMAN MARKET FELL. IN 1972 WEST GERMANY, WHICH IS SWEDEN'S SECOND LARGEST TRADING PARTNER AFTER UNITED KINGDOM, RECEIVED 10.7 PERCENT OF SWEDEN'S EXPORTS AND SUPPLIED 18.8 PERCENT OF SWEDEN'S IMPORTS.

SWEDEN'S FOREIGN EXCHANGE RESERVES ARE PRESENTLY ABOUT ELEVEN BILLION KRONOR, CORRESPONDING TO ABOUT THREE MONTHS'S IMPORTS.

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